

**CAL  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2006

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**CAL COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

(Before September, 2005 Election)

Roy Plagge	President	2007
Mark Johansen	Vice President	2007
Craig Johnson		2005
Jacki Anderson		2005
Lee Schaefer		2006

(After September, 2005 Election)

Roy Plagge	President	2007
Mark Johansen	Vice President	2007
Beth Eddy		2008
Jacki Anderson		2008
Lee Schaefer		2006

**SCHOOL OFFICIALS**

Steven Lane	Superintendent
Beverly Stratmann	District Secretary
Marlys Pralle	District Treasurer

## **Independent Auditor's Report**

To The Board of Education of the  
CAL Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of CAL Community School District, Latimer, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of CAL Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2006 on our consideration of CAL Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 29 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CAL Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report. The financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**BRUCE D. FRINK**  
**Certified Public Accountant**

November 21, 2006

# **CAL COMMUNITY SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAL Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$2,562,644 in fiscal 2005 to \$2,508,636 in fiscal 2006 (2% decrease), while General Fund expenditures increased from \$2,389,946 in fiscal year 2005 to \$2,492,437 in fiscal 2006 (4% increase).
- The decrease in General Fund revenues was attributable to decreases in property taxes and federal funding. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The General Fund balance increased approximately 2% due to cost control measures.
- The local option sales tax has allowed the District to begin work on a half-million dollar building and remodeling project.
- 2006 was the first year that CAL was a stand-alone K-12 school after sharing with Dows for many years. This caused changes in many areas throughout the district.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The statements for governmental funds explain how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.
- The statement for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

*Figure A-1*  
*CAL Community School District*

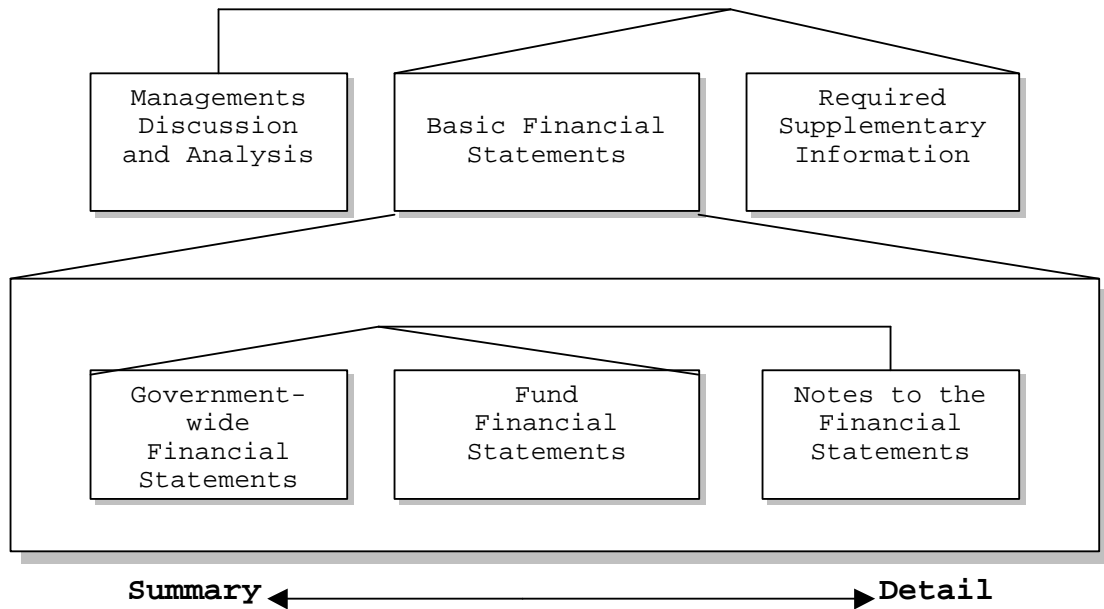


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Revenues, Expenses and Changes in Net Assets</li> <li>• Statement of Cash Flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities. Declining student enrollment also impacts the District's overall financial health.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements. The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund.
- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets** - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-3  
Condensed Statement of Net Assets  
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Current assets	2,582	2,545	45	26	2,627	2,571	2.18%
Capital assets	1,841	1,634	-	-	1,841	1,634	12.67%
<b>Total assets</b>	<u>4,423</u>	<u>4,179</u>	<u>45</u>	<u>26</u>	<u>4,468</u>	<u>4,205</u>	<u>6.25%</u>
Current liabilities	1,415	1,251	-	-	1,415	1,251	13.11%
Non-current liabilities	-	-	-	-	-	-	0.00%
<b>Total liabilities</b>	<u>1,415</u>	<u>1,251</u>	<u>-</u>	<u>-</u>	<u>1,415</u>	<u>1,251</u>	<u>13.11%</u>
Net Assets							
Invested in capital assets, net of related debt	1,841	1,634	-	-	1,841	1,634	12.67%
Restricted	164	295	-	-	164	295	-44.41%
Unrestricted	<u>1,003</u>	<u>999</u>	<u>45</u>	<u>26</u>	<u>1,048</u>	<u>1,025</u>	<u>2.24%</u>
<b>Total net assets</b>	<u>3,008</u>	<u>2,928</u>	<u>45</u>	<u>26</u>	<u>3,053</u>	<u>2,954</u>	<u>3.35%</u>

Total net assets increased primarily from an increase in capital assets. Current resources from the capital projects fund are being used to pay for infrastructure items (addition and remodeling) that will be of long-term value to the District. The General Fund balance increased by 2% which also helped.

Changes in net assets - figure A-4 shows the changes in net assets for the year ended June 30, 2006 and 2005.

**Figure A-4**  
**Change in Net Assets**  
**(expressed in thousands)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>Total</b>
	<b>Activities</b>		<b>Activities</b>		<b>School District</b>		<b>Change</b>
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2005-2006</b>
	\$	\$	\$	\$	\$	\$	
Revenues:							
Program revenues:							
Charges for service and sales	229	180	58	49	287	229	25.33%
Operating grants, contributions and restricted interest	528	537	74	50	602	587	2.56%
General revenues:							
Property tax	1,190	1,263	-	-	1,190	1,263	-5.78%
Income surtax	115	120	-	-	115	120	-4.17%
Local option sales tax	124	140	-	-	124	140	-11.43%
Unrestricted state grants	745	822	-	-	745	822	-9.37%
Unrestricted investment earnings	35	12	-	-	35	12	191.67%
Other	36	12	-	-	36	12	200.00%
Total revenues	<u>3,002</u>	<u>3,086</u>	<u>132</u>	<u>99</u>	<u>3,134</u>	<u>3,185</u>	<u>-1.60%</u>
Program expenses:							
Governmental activities:							
Instruction	1,972	1,762	-	-	1,972	1,762	11.92%
Support Services	771	772	-	-	771	772	-0.13%
Non-instructional programs	-	16	113	100	113	116	-2.59%
Other expenses	<u>192</u>	<u>155</u>	<u>-</u>	<u>-</u>	<u>192</u>	<u>155</u>	<u>23.87%</u>
Total expenses	<u>2,935</u>	<u>2,705</u>	<u>113</u>	<u>100</u>	<u>3,048</u>	<u>2,805</u>	<u>8.66%</u>
Change in net assets	<u>67</u>	<u>381</u>	<u>19</u>	<u>(1)</u>	<u>86</u>	<u>380</u>	<u>-77.37%</u>

Property tax and unrestricted state grants account for 62% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 90% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$3,001,856 and expenses were \$2,935,184.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(expressed in thousands)**

	Total Cost of Services			Net Cost of Services		
	2006	2005	Change 2005-2006	2006	2005	Change 2005-2006
	\$	\$		\$	\$	
Instruction	1,972	1,762	11.92%	1,323	1,178	12.31%
Support Services	771	773	-0.26%	750	724	3.59%
Non-instructional programs	-	16	-100.00%	-	16	-100.00%
Other expenses	<u>192</u>	<u>155</u>	<u>23.87%</u>	<u>106</u>	<u>71</u>	<u>49.30%</u>
Totals	<u>2,935</u>	<u>2,706</u>	<u>8.46%</u>	<u>2,179</u>	<u>1,989</u>	<u>9.55%</u>

- The cost financed by users of the District's programs was \$228,663.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$254,444.
- The net cost of governmental activities was financed with \$1,190,477 in property tax, \$744,784 in state foundation aid, and \$35,437 in interest income.

## Business Type Activities

Revenues of the District's business type activities were \$132,253 and expenses were \$113,415. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted CAL Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,994,851 a two percent increase over last year's ending fund balances of \$2,928,179. The majority of the increase resulted from the increase in the General Fund balances.

## Governmental Fund Highlights

- The General Fund increased slightly despite additional costs involved with implementing a full K-12 program once again.
- The District is using local option sales tax monies to finance additions to and remodeling of district facilities.

## Proprietary Fund Highlights

The School Nutrition Fund balance increased due to increased participation as a result of having more students in the building while being able to maintain labor costs.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis of accounting. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 35 and 36.

## Legal Budgetary Highlights

The District's receipts were \$17,991 less than budgeted receipts, a variance of less than 1%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2006, the District had invested \$1.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 13% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$78,480.

The original cost of the District's capital assets was \$4,009,126. Governmental funds account for \$3,982,423, with the remainder of \$26,703 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6  
Condensed Statement of Net Assets  
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Land	10	10	-	-	10	10	0.00%
Site improvements	36	39	-	-	36	39	-7.69%
Buildings	1,405	1,452	-	-	1,405	1,452	-3.24%
Furniture and equipment	104	133	-	-	104	133	-21.80%
Construction in progress	286	-	-	-	286	-	100.00%
Totals	<u>1,841</u>	<u>1,634</u>	<u>-</u>	<u>-</u>	<u>1,841</u>	<u>1,634</u>	<u>12.67%</u>

## **Long-Term Debt**

The District had no long-term debt at June 30, 2006.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- CAL is once again a stand-alone K-12 as the sharing agreement with Dows was final as of June 30, 2006.
- A high percentage of Dows students in grades 9-12 open enrolled or requested affected student status to CAL for the next several years. This increased funds coming into the District.
- Although the District has experienced declining enrollment in recent years, the District expects to maintain a stable enrollment for a few years. If the Legislature provides adequate allowable growth the District can maintain its financial position.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Beverly Stratman, District Secretary, CAL Community School District, 1441 Gull, Latimer, IA 50452.

## Basic Financial Statements

## CAL COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	1,147,932	43,725	1,191,657
Receivables:			
Property tax:			
Current year	13,823	-	13,823
Succeeding year	1,299,365	-	1,299,365
Income surtax - succeeding year	79,107	-	79,107
Due from other governments	37,328	-	37,328
Other receivables	4,341	-	4,341
Inventories	-	1,056	1,056
Capital assets, net of accumulated depreciation	1,840,997	-	1,840,997
<b>Total assets</b>	<b>4,422,893</b>	<b>44,781</b>	<b>4,467,674</b>
<b>Liabilities</b>			
Accounts payable	115,135	-	115,135
Salaries and benefits payable	714	-	714
Retainage payable	12,828	-	12,828
Deferred revenue:			
Succeeding year property tax	1,299,365	-	1,299,365
<b>Total liabilities</b>	<b>1,428,042</b>	<b>-</b>	<b>1,428,042</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,840,997	-	1,840,997
Restricted for:			
Management levy	72,909	-	72,909
Physical plant and equipment levy	90,943	-	90,943
Unrestricted	990,002	44,781	1,034,783
<b>Total net assets</b>	<b>2,994,851</b>	<b>44,781</b>	<b>3,039,632</b>

See notes to financial statements.



## CAL COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2006

		Program Revenues				
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Expenses						
\$		\$	\$	\$	\$	\$
Functions/Programs						
Governmental activities:						
Instruction:	1,972,150	228,663	420,510	(1,322,977)	-	(1,322,977)
Support services:						
Student services	10,827	-	-	(10,827)	-	(10,827)
Instructional staff services	80,510	-	-	(80,510)	-	(80,510)
Administration services	251,455	-	-	(251,455)	-	(251,455)
Operation and maintenance of plant services	276,391	-	16,362	(260,029)	-	(260,029)
Transportation services	151,788	-	4,752	(147,036)	-	(147,036)
	770,971	-	21,114	(749,857)	-	(749,857)
Other expenditures:						
AEA flowthrough	82,702	-	82,702	-	-	-
Facilities acquisition and construction	51,155	-	3,247	(47,908)	-	(47,908)
Depreciation (unallocated)*	58,206	-	-	(58,206)	-	(58,206)
	192,063	-	85,949	(106,114)	-	(106,114)
Total governmental activities	2,935,184	228,663	527,573	(2,178,948)	-	(2,178,948)

CAL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

	Program Revenues				
		Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Expenses	Charges for Service				
\$	\$	\$	\$	\$	\$
Business type activities:					
Non-instructional programs:					
Nutrition services	113,415	58,562	73,691	-	18,838
Total	3,048,599	287,225	601,264	(2,178,948)	18,838
					(2,160,110)
General revenues:					
Property tax levied for:					
General purposes			1,033,634	-	1,033,634
Management			59,932	-	59,932
Capital outlay			96,911	-	96,911
Income surtax			114,791	-	114,791
Local option sales tax			123,992	-	123,992
Unrestricted state grants			744,784	-	744,784
Unrestricted investment earnings			35,437	-	35,437
Other			36,139	-	36,139
Total general revenue			2,245,620	-	2,245,620
Change in net assets			66,672	18,838	85,510
Net assets beginning of year			2,928,179	25,943	2,954,122
Net assets end of year			2,994,851	44,781	3,039,632

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

## CAL COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2006

	General	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash	806,446	57,820	283,666	1,147,932
Receivables:				
Property tax:				
Current year	12,033	-	1,790	13,823
Succeeding year	1,092,558	-	206,807	1,299,365
Income surtax - succeeding year	53,000	-	26,107	79,107
Due from other governments	-	37,328	-	37,328
Other receivables	4,341	-	-	4,341
<b>Total assets</b>	<u>1,968,378</u>	<u>95,148</u>	<u>518,370</u>	<u>2,581,896</u>
<b>Liabilities and Fund Balance</b>				
Liabilities:				
Accounts payable	-	115,135	-	115,135
Salaries and benefits payable	714	-	-	714
Retainage payable	-	12,828	-	12,828
Deferred revenue:				
Succeeding year property tax	1,092,558	-	206,807	1,299,365
Succeeding year income surtax	53,000	-	26,107	79,107
Total liabilities	<u>1,146,272</u>	<u>127,963</u>	<u>232,914</u>	<u>1,507,149</u>
Fund balances:				
Reserved for capital projects	-	(32,815)	-	(32,815)
Unreserved	822,106	-	285,456	1,107,562
Total fund balance	<u>822,106</u>	<u>(32,815)</u>	<u>285,456</u>	<u>1,074,747</u>
<b>Total liabilities and fund balances</b>	<u>1,968,378</u>	<u>95,148</u>	<u>518,370</u>	<u>2,581,896</u>

See notes to financial statements.

## CAL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2006

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 1,074,747
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Income surtax receivable at June 30, 2006 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	79,107
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	<u>1,840,997</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>\$ 2,994,851</u></u>

See notes to financial statements.

## CAL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2006

	General	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,126,548	123,992	156,843	1,407,383
Tuition	228,663	-	-	228,663
Other	71,576	3,247	187,180	262,003
State sources	985,083	-	81	985,164
Federal sources	96,766	-	-	96,766
Total revenues	<u>2,508,636</u>	<u>127,239</u>	<u>344,104</u>	<u>2,979,979</u>
Expenditures:				
Current:				
Instruction:	<u>1,739,538</u>	<u>-</u>	<u>232,612</u>	<u>1,972,150</u>
Support services:				
Student services	10,827	-	-	10,827
Instructional staff services	80,510	-	-	80,510
Administration services	251,455	-	-	251,455
Operation and maintenance of plant services	200,017	-	76,374	276,391
Transportation services	127,388	-	4,126	131,514
Central support services	-	-	-	-
	<u>670,197</u>	<u>-</u>	<u>80,500</u>	<u>750,697</u>
Other expenditures:				
AEA flowthrough	82,702	-	-	82,702
Facilities acquisition and construction	-	321,879	14,716	336,595
	<u>82,702</u>	<u>321,879</u>	<u>14,716</u>	<u>419,297</u>
Total expenditures	<u>2,492,437</u>	<u>321,879</u>	<u>327,828</u>	<u>3,142,144</u>
Net change in fund balance	16,199	(194,640)	16,276	(162,165)
Fund balances beginning of year	<u>805,907</u>	<u>161,825</u>	<u>269,180</u>	<u>1,236,912</u>
Fund balances end of year	<u>822,106</u>	<u>(32,815)</u>	<u>285,456</u>	<u>1,074,747</u>

See notes to financial statements.

## CAL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2006

**Net change in fund balances - total governmental funds (Exhibit E)** \$ (162,165)

**Amounts reported for governmental activities in the  
statement of activities are different because:**

Income surtax receivable at June 30, 2006 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.

21,877

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	285,440
Depreciation expense	(78,480)
	206,960

**Change in net assets of governmental activities (Exhibit B)** \$ 66,672

## CAL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund

Year ended June 30, 2006

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>58,562</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	26,320
Benefits	8,534
Supplies	78,181
Depreciation	<u>380</u>
Total operating expenses	<u>113,415</u>
Operating (loss)	<u>(54,853)</u>
Non-operating revenues:	
State sources	1,794
Federal sources	<u>71,897</u>
	<u>73,691</u>
	132,253
Changes in net assets	18,838
Net assets beginning of year	<u>25,943</u>
Net assets end of year	<u><u>44,781</u></u>

See notes to financial statements.

## CAL COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2006

	School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	58,562
Cash payments to employees for services	(35,285)
Cash payments to suppliers for goods or services	<u>(70,232)</u>
Net cash (used in) operating activities	<u>(46,955)</u>
Cash flows from non-capital financing activities:	
State grants received	1,794
Federal grants received	<u>65,713</u>
Net cash provided by non-capital financing activities	<u>67,507</u>
Net increase in cash and cash equivalents	20,552
Cash and cash equivalents beginning of year	<u>23,173</u>
Cash and cash equivalents end of year	<u><u>43,725</u></u>
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>	
Operating (loss)	(54,853)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	380
Commodities used	6,184
Decrease in inventory	1,765
(Decrease) in salaries and benefits payable	<u>(431)</u>
	<u><u>(46,955)</u></u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash	<u><u>43,725</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2006, the District received federal commodities valued at \$6,184.

See notes to financial statements.



CAL COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

CAL Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Coulter, Alexander and Latimer, Iowa, and agricultural area in Franklin and Wright Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, CAL Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. CAL Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Franklin County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa and grants from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2006.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures exceeded budgeted amounts in the other expenditures function during the year ending June 30, 2006.

## (2) Cash and Pooled Investments

The District's deposits at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$330,806</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk - The investments in the Iowa School Joint Investment Trust were both rated Aaa by Moody's Investors Service.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	<u>\$ 10,100</u>	<u>-</u>	<u>-</u>	<u>10,100</u>
Capital assets being depreciated:				
Site Improvements	239,384	-	-	239,384
Buildings	2,306,131	-	-	2,306,131
Furniture and Equipment	1,141,368	-	-	1,141,368
Construction in progress	-	285,440	-	285,440
Total capital assets being depreciated	<u>3,686,883</u>	<u>285,440</u>	<u>-</u>	<u>3,972,323</u>
Less accumulated depreciation for:				
Site Improvements	200,593	2,441	-	203,034
Buildings	854,112	46,691	-	900,803
Furniture and Equipment	<u>1,008,241</u>	<u>29,348</u>	<u>-</u>	<u>1,037,589</u>
Total accumulated depreciation	<u>2,062,946</u>	<u>78,480</u>	<u>-</u>	<u>2,141,426</u>
Total capital assets being depreciated, net	<u>1,623,937</u>	<u>206,960</u>	<u>-</u>	<u>1,830,897</u>
Governmental activities, capital assets, net	<u>\$ 1,634,037</u>	<u>206,960</u>	<u>-</u>	<u>1,840,997</u>
<b>Business type activities:</b>				
Furniture and equipment	26,703	0	-	26,703
Less accumulated depreciation	<u>26,323</u>	<u>380</u>	<u>-</u>	<u>26,703</u>
Business type activities capital assets, net	<u>\$ 380</u>	<u>(380)</u>	<u>-</u>	<u>-</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Transportation				20,274
Unallocated				<u>58,206</u>
				<u>\$ 78,480</u>
Business Type activities:				
Food service operations				<u>\$ 380</u>

### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$89,273, \$78,748, and \$81,336 respectively, equal to the required contributions for each year.

**(5) Risk Management**

CAL Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(6) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$82,702 for year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(7) Financial Condition**

The District's Capital Projects Fund had a deficit fund balance of \$32,815 at June 30, 2006.

**(8) Commitments**

The District has approved contracts for the construction of additions to and remodeling of the existing school building. Bids in the amount of \$560,815 have been approved as of June 30, 2006. Completion of the project is anticipated to be in the fall of 2006.

The following are as of June 30, 2006:

Total contract bids	\$560,815
Completed to date	298,268
Retainage payable	12,828
Amounts paid	170,305
Amounts currently payable	115,135
To be completed	262,546

The District has a commitment from First Citizens National Bank to borrow up to \$155,000, if necessary, for cash flow purposes relating to the above project. This will be repaid, if necessary, from the proceeds of the local option sales tax.

## Required Supplementary Information



**CAL COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund  
Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual
	Actual	Actual	Actual	Original	Final	Variance -
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,898,049	58,562	1,956,611	1,928,991	1,928,991	27,620
State sources	985,164	1,794	986,958	996,232	996,232	(9,274)
Federal sources	96,766	71,897	168,663	205,000	205,000	(36,337)
Total revenues	<u>2,979,979</u>	<u>132,253</u>	<u>3,112,232</u>	<u>3,130,223</u>	<u>3,130,223</u>	<u>(17,991)</u>
Expenditures:						
Instruction	1,972,150	-	1,972,150	2,300,000	2,300,000	327,850
Support services	750,697	-	750,697	997,514	997,514	246,817
Non-instructional programs	-	113,415	113,415	140,000	140,000	26,585
Other expenditures	419,297	-	419,297	321,808	321,808	(97,489)
Total expenditures	<u>3,142,144</u>	<u>113,415</u>	<u>3,255,559</u>	<u>3,759,322</u>	<u>3,759,322</u>	<u>503,763</u>
Excess (deficiency) of revenues over (under) expenditures	(162,165)	18,838	(143,327)	(629,099)	(629,099)	485,772
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(162,165)	18,838	(143,327)	(629,099)	(629,099)	485,772
Balance beginning of year	<u>1,236,912</u>	<u>25,943</u>	<u>1,262,855</u>	<u>898,221</u>	<u>898,221</u>	<u>364,634</u>
Balance end of year	<u>1,074,747</u>	<u>44,781</u>	<u>1,119,528</u>	<u>269,122</u>	<u>269,122</u>	<u>850,406</u>

See accompanying independent auditor's report.

**CAL COMMUNITY SCHOOL DISTRICT**

**Notes to Required Supplementary Information - Budgetary Reporting**

**Year ended June 30, 2006**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$225,472.

During the year ended June 30, 2006, expenditures exceeded the amounts budgeted in the other expenditures function. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

## CAL COMMUNITY SCHOOL DISTRICT

## Combining Balance Sheet

## Nonmajor Special Revenue Funds

June 30, 2006

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	72,224	121,604	89,838	283,666
Property tax receivable:				
Current year	685	-	1,105	1,790
Succeeding year	90,000	-	116,807	206,807
Income surtax - succeeding year	<u>-</u>	<u>-</u>	<u>26,107</u>	<u>26,107</u>
<b>Total assets</b>	<u>162,909</u>	<u>121,604</u>	<u>233,857</u>	<u>518,370</u>
<b>Liabilities and Fund Balance</b>				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	90,000	-	116,807	206,807
Succeeding year income surtax	<u>-</u>	<u>-</u>	<u>26,107</u>	<u>26,107</u>
	<u>90,000</u>	<u>-</u>	<u>142,914</u>	<u>232,914</u>
Fund balance:				
Unreserved fund balance	<u>72,909</u>	<u>121,604</u>	<u>90,943</u>	<u>285,456</u>
	<u>72,909</u>	<u>121,604</u>	<u>90,943</u>	<u>285,456</u>
<b>Total liabilities and fund balances</b>	<u>162,909</u>	<u>121,604</u>	<u>233,857</u>	<u>518,370</u>

See accompanying independent auditor's report.

## CAL COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances

## Nonmajor Special Revenue Funds

Year ended June 30, 2006

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	59,932	-	96,911	156,843
Other	12,737	170,899	3,544	187,180
State sources	31	-	50	81
Federal sources	-	-	-	-
Total revenues	<u>72,700</u>	<u>170,899</u>	<u>100,505</u>	<u>344,104</u>
Expenditures:				
Instruction:	-	185,272	47,340	232,612
Support services:				
Plant operation and maintenance	59,082	-	17,292	76,374
Student transportation	4,126	-	-	4,126
Other expenditures:				
Facility acquisition and construction services	<u>-</u>	<u>-</u>	<u>14,716</u>	<u>14,716</u>
Total expenditures	<u>63,208</u>	<u>185,272</u>	<u>79,348</u>	<u>327,828</u>
Excess (Deficiency) of revenues over (under) expenditures	9,492	(14,373)	21,157	16,276
Fund balances beginning of year	<u>63,417</u>	<u>135,977</u>	<u>69,786</u>	<u>269,180</u>
Balance end of year	<u><u>72,909</u></u>	<u><u>121,604</u></u>	<u><u>90,943</u></u>	<u><u>285,456</u></u>

See accompanying independent auditor's report.

## CAL COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Drama	(1,837)	5,507	2,335	1,335
Vocal Music	(470)	2,016	1,272	274
Instrumental Music	(4,386)	5,886	2,532	(1,032)
Cross Country	36	1,868	877	1,027
Golf	95	473	462	106
Boys Basketball	4,554	5,098	7,230	2,422
Football	3,535	3,249	4,513	2,271
Baseball	(215)	2,631	2,672	(256)
Boys Track	(913)	3,973	1,840	1,220
Wrestling	(2,062)	5,088	2,873	153
Girls Basketball	3,242	7,684	7,557	3,369
Volleyball	2,487	1,739	1,993	2,233
Softball	(1,306)	5,104	3,814	(16)
Girls Track	33	1,751	3,269	(1,485)
Early Childhood/Preschool	1,423	715	-	2,138
Annual	(2,287)	7,959	7,717	(2,045)
Activity Passes	2,890	1,086	952	3,024
Art Club	(22)	-	-	(22)
Swing Choir	555	42,044	42,511	88
FFA	10,459	10,679	11,446	9,692
Cheerleaders	2,839	3,863	4,155	2,547
National Honor Society	(668)	668	66	(66)
Pennies	-	770	-	770
Washington DC Trip	195	10,179	10,292	82
Spanish Club	(367)	-	-	(367)
Student Council	5,240	12,093	15,435	1,898
Class of 2007	1,574	2,910	3,304	1,180
Class of 2008	1,067	876	978	965
Class of 2009	-	2,564	1,229	1,335
Class of 2010	-	2,266	1,592	674
Class of 2011	-	2,392	1,240	1,152
Class of 2004	-	27	27	-
High School Activity	718	798	321	1,195
Class of 2005	174	-	-	174
Class of 2006	632	96	1,946	(1,218)
Elementary Activity	1,817	2,622	2,819	1,620
Jr High Boys Basketball	-	2,580	2,583	(3)
Jr High Boys Track	-	880	279	601
Jr High Football	-	2,135	521	1,614
Jr High Volleyball	-	970	686	284
Jr High Girls Basketball	-	1,143	495	648
Jr High Girls Track	-	800	279	521

## CAL COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Greenhouse	-	5,621	5,552	69
Concessions Equipment	1,185	-	363	822
Nurses Fund	634	-	86	548
Interest	103,490	23,836	49,185	78,141
Jump Rope for Heart	111	-	-	111
Music Resale	(424)	931	1,521	(1,014)
Art Resale	95	-	50	45
Materials for Resale	(802)	2,711	1,716	193
RIF	<u>2,656</u>	<u>1,974</u>	<u>2,043</u>	<u>2,587</u>
	135,977	200,255	214,628	121,604
Less interaccount transfers		<u>(29,356)</u>	<u>(29,356)</u>	
Total	<u>135,977</u>	<u>170,899</u>	<u>185,272</u>	<u>121,604</u>

See accompanying independent auditor's report.

## CAL COMMUNITY SCHOOL DISTRICT

## Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2006	2005	2004	2003
Local sources:				
Local tax:				
Property tax	1,208,816	1,262,777	1,234,450	1,177,218
Local option sales tax	123,992	139,864	30,876	-
Income surtax	92,914	63,032	52,380	57,421
	<u>1,425,722</u>	<u>1,465,673</u>	<u>1,317,706</u>	<u>1,234,639</u>
State sources:				
State foundation aid	744,784	822,388	774,096	755,257
AEA flow through	82,702	83,366	85,778	92,203
Instructional support	6,547	7,283	7,709	12,606
Iowa Early Intervention Block Grant	13,547	14,489	16,994	20,098
Educational Excellence Program:				
Phase I	36,732	36,384	38,461	33,516
Phase II	21,026	22,027	23,833	21,899
Phase III	-	-	-	8,859
Non-public transportation aid	4,752	7,773	8,882	8,248
Non-public textbook aid	276	390	524	1,076
Vocational education aid	5,073	3,786	4,797	3,374
Military credit replacement	621	645	634	597
Teacher mentoring	6,500	5,200	3,900	3,900
Teacher compensation	29,867	25,765	25,242	21,789
Evaluator training	-	-	2,000	2,000
Staff development	9,628	-	-	-
Reading recovery	2,500	-	-	-
Lunch and breakfast program claims	1,794	1,340	1,254	1,516
Other state aid	-	-	-	27,400
	<u>966,349</u>	<u>1,030,836</u>	<u>994,104</u>	<u>1,014,338</u>
Federal sources:				
Improving Teacher Quality - State Grant	10,835	10,551	11,198	7,540
Rural Education Achievement Program	21,626	25,852	28,371	24,622
Safe and Drug Free Schools	-	1,933	3,402	1,606
Title I Program	56,401	62,505	59,436	50,449
Innovative Education Program Strategies	928	3,560	2,236	-
Vocational education aid	1,342	-	-	-
Grants for assessments	1,386	-	-	-
Other federal sources	4,247	58,794	21,716	31,067
Food distribution	6,184	4,250	8,262	9,298
School nutrition	65,173	44,175	40,208	41,351
	<u>168,122</u>	<u>211,620</u>	<u>174,829</u>	<u>165,933</u>
Total	<u>2,560,193</u>	<u>2,708,129</u>	<u>2,486,639</u>	<u>2,414,910</u>

See accompanying independent auditor's report.



**Independent Auditor's Report on Internal Control over Financial  
reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

To the Board of Education of the  
CAL Community School District:

**Compliance**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of CAL Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statement listed in the table of contents, and have issued our report thereon date November 21, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered CAL Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 06-I-A is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether, CAL Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of CAL Community School District and other parties to whom CAL Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of CAL Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

**BRUCE D. FRINK**  
**Certified Public Accountant**

November 21, 2006

CAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

**Part I: Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

06-I-A      Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

**Part II: Other Findings Related to Required Statutory Reporting:**

06-II-A      Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2006.

06-II-B      Certified Budget - Expenditures for the year ended June 30, 2006 exceeded the amount budgeted in the other expenditures function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

06-II-C      Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

06-II-D      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

06-II-E      Business Transactions - No business transactions between the District and District officials or employees.

06-II-F      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

Schedule of Findings

Year ended June 30, 2006

**Part II: Other Findings Related to Required Statutory Reporting:**  
**(continued):**

- 06-II-G      Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 06-II-H      Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 06-II-I      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 06-II-J      Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- 06-II-K      Financial Condition - We noted that the District's Capital Projects Fund had a deficit fund balance of \$32,815 at June 30, 2006.

Recommendation - We are aware that the District has received a loan commitment for \$155,000 in regards to this project, none of which has been advanced as of June 30, 2006. Since the funds had not yet been received as of June 30, 2006, they could not be included as an asset in the District's financial statements, thus technically leaving the fund with a negative balance at June 30, 2006.

Response - We believe that the District will be able to meet all of its anticipated cash requirements.

Conclusion - Response accepted.